

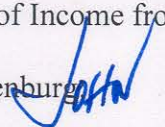


Doug Sutherland
Commissioner of Public Lands

August 9, 2006

The Honorable John W Ladenburg, County Executive
Pierce County
930 Tacoma Ave S
Tacoma, WA 98402

Subject: Projection of Income from State Forest Lands

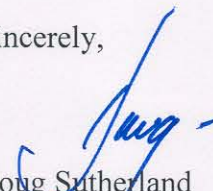
Dear Executive Ladenburg 

The Department of Natural Resources (DNR) manages about 12,237 acres of state forest lands (formerly known as forest board lands) that benefit Pierce County. As the attached report shows, in the first two quarters of calendar year 2006, these lands generated \$270 thousand and are projected to generate \$840 thousand in calendar year 2006. This represents an increase of 270 thousand from the 2006 projection in the April 2006 report.

Most of this income is from timber sales. Timber markets, supply concerns, contract requirements and regulatory requirements influence when timber purchasers choose to harvest. The revenue projections rely on purchasers' plans for harvest and may change in future reports if those plans change.

The next projection of state forest land revenues will be available in late October 2006. In the meantime, if you have questions about this report, contact Randy Acker, South Puget Sound Region Manager. Randy can advise you of possible fluctuations in timber harvest and provide information on DNR management programs and activities in your county. Randy can be reached at 360.825.1631.

Sincerely,


Doug Sutherland
Commissioner of Public Lands

Enclosures

ac

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County Income Report July 2006

Income from management activities on state forest lands is designated for allocation to several taxing districts in each county, depending upon the location of the activity in that county. Only a very small amount is available for discretionary use by the county.

Revenue from state forest lands (formerly known as forest board lands) come primarily from harvested timber. Lease activities and rights-of-way applications provide additional sources of revenue. Another source of revenue to the counties is leasehold tax returns, which will vary with the amount of lease activity in any given year.

Table 1 shows the annual revenue for each county from calendar year 1997 through the first six months of calendar year 2006. As is evident in Table 1, total revenue varies considerably from year to year. Many of the key variables responsible for high revenues in one year can also lead to reduced income the following year.

Revenue projections for each of the 19 counties with state forest lands were made for the remaining two quarters of calendar year 2006 and calendar year 2007. **Table 2** includes the summary of all timber harvest projections listed in Table 2A, and is combined with an estimate of additional revenue from leases, rights-of-way applications, and other activity on state forest lands. **Table 2A** presents projected revenue for each timber sale on state forest lands.

Table 3 presents the volume and net value under contract as of June 30, 2006 that is not currently scheduled for harvest until after December 2007.

These projections were developed by Department of Natural Resources' region staff who contacted each timber sale purchaser with sale rights, to determine approximately how much and when they planned to harvest the timber in each sale.

Projections for each sale's anticipated harvest should be considered a rough estimate only, as actual removal activity depends on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future state forest land timber sales in your county is available upon request from Department of Natural Resources' region staff.

Table 1. Revenue to Counties from State Forest Transfer and Purchase Lands (Calendar Years)

Updated: 8/2/06

County	1997	1998	1999	2000	2001	2002	2,003	2004	2005	Jan - Jun 2006
Clallam	\$10,271,598	\$12,686,274	\$8,067,336	\$5,758,321	\$6,963,919	\$3,600,540	\$4,777,301	\$4,426,097	\$5,495,006	\$2,667,599
Clark	5,021,940	6,007,736	5,201,304	2,366,311	3,573,835	2,313,003	3,820,106	4,092,569	4,411,237	3,813,748
Cowlitz	3,357,206	3,017,014	3,348,777	1,212,652	1,839,302	5,001,470	2,934,808	215,329	5,345,911	1,886,871
Grays Harbor	4,943,351	1,784,346	2,028,606	2,352,472	1,862,881	3,293,823	2,107,685	1,776,300	2,667,556	804,528
Jefferson	556,130	1,957,760	1,663,170	1,649,297	518,203	1,778,453	889,650	1,631,808	3,200,661	986,293
King	2,993,582	2,160,183	3,223,396	1,143,568	1,835,851	1,976,627	2,889,619	4,388,319	995,578	154,747
Kitsap	3,004,528	406,398	753,902	599,418	729,223	31,508	626,030	1,109,673	759,721	65,668
Klickitat	15,947	15,094	907,813	1,306,269	1,988,025	263,951	1,207,848	112,777	1,256,702	1,735,566
Lewis	12,302,198	14,631,380	12,730,883	10,052,997	3,945,857	1,534,075	5,493,493	4,356,765	2,606,113	6,950,695
Mason	2,081,988	2,357,532	1,837,711	2,799,623	1,321,104	2,382,746	2,379,357	5,336,229	4,774,081	1,452,564
Pacific	3,194,157	2,296,047	6,323,846	2,771,851	4,007,787	969,916	1,875,588	2,051,170	2,939,705	1,164,605
Pierce	1,871,447	607,701	1,943,460	529,510	1,469,706	2,237,462	3,571,913	5,620,352	1,778,066	265,571
Skagit	11,372,252	9,187,203	11,422,067	9,194,478	5,509,637	13,209,159	8,973,769	9,620,659	12,532,120	8,009,883
Skamania	788,119	2,385,689	3,933,138	755,801	768,791	55,235	68,576	533,038	308,142	350,953
Snohomish	16,030,098	3,427,872	13,750,038	14,528,018	8,543,151	6,452,352	10,398,846	13,664,903	12,756,744	6,985,311
Stevens	31,821	36,075	43,894	30,236	43,769	33,815	39,619	36,945	40,922	4,128
Thurston	11,252,520	8,127,942	7,573,165	6,156,550	8,080,735	3,770,580	4,523,536	6,270,700	7,777,205	3,410,536
Wahkiakum	5,461,307	1,164,313	2,503,796	1,481,581	2,244,642	2,414,098	2,011,817	1,015,082	2,730,555	1,372,870
Whatcom	8,671,921	5,078,947	6,824,410	4,059,821	5,759,368	5,525,028	6,993,439	7,467,518	6,075,055	3,162,873
Totals	\$103,222,110	\$77,335,506	\$94,080,712	\$68,748,774	\$61,005,786	\$56,843,841	\$65,583,000	\$73,726,233	\$78,451,080	\$45,245,009

Note: Revenue is received daily by the Department of Natural Resources for activities on State Forest Lands and deposited daily at the Office of State Treasurer. Effective February 1998 these monies are remitted to each county via wire transfer a minimum of four times per month. Due to the specific date monies are received by the Department and the cutoff dates used by the State Treasurer for wire transfers, the revenue for the current period may be different than actual remittances to date.

**Table 2. Total Projected Revenues to Counties from State Forest
Transfers and Purchase Lands ^{1/}**
(Dollars in Thousands)

County	July thru December 2006		January thru December 2007	
	High	Medium	High	Medium
Clallam	\$185.6	\$2,508.5	\$265.1	\$2,834.7
Clark	1,741.9	1,741.9	2,376.2	2,376.2
Cowlitz	1,172.3	1,172.3	1,275.3	1,275.3
Grays Harbor	205.4	205.4	4.3	4.3
Jefferson	13.1	13.1	19.4	898.3
King	377.6	683.7	30.7	1,033.4
Kitsap	4.6	4.6	20.0	779.9
Klickitat	674.1	674.1	793.1	793.1
Lewis	5,496.5	6,434.0	496.8	1,495.9
Mason	10.3	89.0	192.6	192.6
Pacific	375.0	375.0	1,171.5	1,171.5
Pierce	444.1	2,075.0	3.4	247.7
Skagit	3,649.0	3,887.5	1,879.1	2,506.1
Skamania	995.2	995.2	19.4	19.4
Snohomish	2,387.2	2,406.2	3,469.6	3,469.6
Stevens	22.4	22.4	27.2	27.2
Thurston	397.9	589.6	1,124.6	1,124.6
Wahkiakum	1,113.5	1,113.5	80.5	80.5
Whatcom	1,070.3	1,070.3	52.9	52.9
Totals	\$20,335.9	\$26,061.5	\$13,301.7	\$20,383.3

^{1/} **High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.**

Note: Projected revenues are based on timber purchaser's logging plans as of June 2006. These plans change with changes in the economy and the business needs of each purchaser. Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales currently under contract and the schedule of future sales on State Forest Lands in your county.

Table 2A. Projected Timber Harvest Revenues to Pierce County from State Forest Transfer and Purchase Lands by Legal Description
(Thousands of Dollars) ^{1/}

Sale App. Number	Sale Name	Expiration Date	Legal Description			July thru December 2006		January thru December 2007		Value Under Contract after Dec-07
			Section	Township	Range	High	Medium	High	Medium	
75786	Red Heckle	10/31/06	8, 17	15N	5E	0.0	126.4	0.0	0.0	0.0
76002	Gobbler	10/31/06	16,17,18,20	15N	5E	440.6	440.6	0.0	0.0	0.0
77083	South Slope VDT	09/30/08	14-16, 22-25	15N	5E	0.0	0.0	0.0	0.0	323.6
78680	Up Wind	10/31/07	9,10,15,16	15N	5E	0.0	1,504.5	0.0	244.3	0.0
Total						\$440.6	\$2,071.6	\$0.0	\$244.3	\$323.6

^{1/} High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of [June 2006](#). These plans change with changes in the economy and business needs of each purchaser. Department of Natural Resources regional staff should be contacted concerning possible changes in timber harvest plans and for copies of sale area maps for specific locations of timber sales within the legal descriptions listed above.

Table 3. Volume and Net Value of Timber under Contract on State Forest Transfer and Purchase Lands for Harvest after Calendar Year 2007 ^{1/}

County	Volume (mbf)	Net Value
Clallam	0	\$0
Clark	0	0
Cowlitz	0	0
Grays Harbor	0	0
Jefferson	0	0
King	0	0
Kitsap	0	0
Klickitat	0	0
Lewis	0	0
Mason	0	0
Pacific	0	0
Pierce	1,961	323,634
Skagit	4,163	1,127,851
Skamania	0	0
Snohomish	0	0
Thurston	0	0
Wahkiakum	0	0
Whatcom	0	0
Totals	6,124	\$1,451,485

^{1/} Normally, counties receive 78 percent of State Forest Land Transfer revenues and 26.5 percent of State Forest Land Purchase revenues.

Note: The sales represented here are currently under contract as of June 2006. This timber could be harvested at any time depending on market conditions and business needs as determined by each purchaser. Sales to be sold in the future could provide additional revenue to your county. Department of Natural Resources' region staff should be contacted concerning future sale activity and dates.